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SUBJECT: IRAN, RUSSIA OFFER GAS TO UAE

CLASSIFIED BY AMBASSADOR RICHARD G. OLSON FOR REASONS 1.4 B AND D.

¶1. (C/NF) SUMMARY: Abu Dhabi investment firm Mubadala denied recent (Iranian) press reports of a gas deal with the National Iranian Oil Company (NIOC). However, the rumors have a kernel of truth as Iran has repeatedly offered the UAE natural gas. While most Emiratis know Iran well enough to steer clear of the offer, Russia's Gazprom has offered to facilitate -- and guarantee -- a gas deal. There is no indication Abu Dhabi will pursue the offer, but smaller Emirates may seek to use it as leverage to get more electricity from Abu Dhabi.  
END SUMMARY.

NO IRAN DEAL...

¶2. (SBU) In mid-August, Iran's Mehr News Agency reported that Abu Dhabi investment firm Mubadala had bid to import Iranian gas from NIOC. While few media outlets picked up the story, Mubadala -- which is backed by Abu Dhabi Crown Prince Mohammed bin Zayed -- was quick to publicly deny the report. On August 17, the UAE's official news agency WAM released the following statement, "Neither Mubadala nor any of its subsidiaries is involved in discussions with the National Iranian Oil Company regarding the importation of gas to the UAE." Mubadala advisor Ashraf Hamdi told the Ambassador on August 18 that there was no truth to the story.

...BUT NOT FOR LACK OF TRYING

¶3. (C/NF) Abu Dhabi Executive Affairs Authority (EAA) Director of Economic Affairs David Scott told EconOff on August 18 that Iran has repeatedly approached the UAE to offer gas. (Note: UAE gas is predominantly "sour," or high in sulfur. Abu Dhabi imports significant quantities from Qatar via the Dolphin Energy pipeline. End Note.) Scott said that Abu Dhabi has been open to discussions, but feels strongly Iranian officials are unable and/or unwilling to negotiate a competitive gas price. NIOC has never followed up on UAE requests for specific details.

¶4. (C/NF) When asked about energy deals with Iran, most UAE officials quickly point to the example of Sharjah-based Crescent Petroleum's 2001 deal with NIOC, which has yet to come to fruition. While the necessary infrastructure has been constructed on the UAE side, price debates with NIOC continue. Abu Dhabi National Oil Company (ADNOC) Deputy CEO Abdulla Al Sowaidi told EconOff the deal demonstrates Iran's inability to develop its hydrocarbon sector.

RUSSIA MUSCLES IN

¶5. (C/NF) Scott told EconOff that NIOC's reputation has left a void Russia is trying to fill. Scott said Russian officials have reached out to the UAE to facilitate a UAE-Iran gas deal. Ras Al Khaimah Crown Prince Sheikh Saud Al Qassimi told the Ambassador in November 2008 that Gazprom was offering to facilitate gas "swaps" (Gazprom's Turkmen gas to Northern Iran would be exchanged for Iranian gas from

the south for the UAE). Sheikh Saud said Boris Ivanov was foul-mouthed and vulgar, suggesting it was unlikely the firm would find any buyers in the UAE.

16. (C/NF) COMMENT: While the UAE has no surplus of gas or power, there are no indications anyone (since Crescent) is serious about pursuing the Iranian gas offer. Scott said Abu Dhabi's decision to pursue nuclear power should provide the UAE's largest and wealthiest emirate with enough electricity to support its smaller and poorer compatriots. While the sheer size of Iran's gas reserves remains attractive, few here are convinced Iran is likely to be a reliable partner. END COMMENT.

OLSON